

REPORT OF THE SENATE COMMITTEE ON FOREIGN RELATIONS, ON THE TERMINATION OF THE HAWAIIAN TREATY.

Mr. Morgan, chairman of the Committee on Foreign Relations, submitted the following report:—

The Committee on Foreign Relations, to whom was referred Senate joint resolution No. 27, "as to giving notice to terminate the convention of June 8, 1875, with His Majesty the King of the Hawaiian Islands," have had the same under consideration, and report the same back with the recommendation that the resolution be indefinitely postponed.

As the resolution invokes the action of the Senate to reverse, by the vote of a majority of the body, the solemn judgment of more than two-thirds of the Senate expressed with reference to this convention in 1875, the grounds on which this reversal is demanded require investigation.

A report from the Committee of Finance made to the Senate on February 27, 1883, embodies the leading objections that have been urged to this convention.

The Committee on Foreign Relations, not being able to concur in the arguments stated, or the conclusions reached in that report, state the following reasons in support of the opposite conclusions:—

If it could be shown (as your committee have failed to discover that it has been) that the commerce or the revenues of the United States have not been adequately compensated by the advantages of actual trade with the Hawaiian Islands, under the convention of 1875, there are other and perhaps higher considerations than trade and extending and consolidating the relative money value of that trade to the people of the United States, which establish the wisdom of the Senate in ratifying, and of Congress in legislating to carry into effect this convention.

Since the opening of the Suez Canal, the great commercial nations of Europe, notably England and France, have exhibited great energy and activity in building up their influence and power along the western shores of the Pacific Ocean, and in the islands of the South Pacific. We have also extended our treaty relations to Corea, Siam, Persia, and Madagascar, with a view to a future profitable trade with all of the countries of Asia and Australasia.

Our transcontinental railroads have greatly increased our trade with all these countries, and have earned large sums of money in the transportation of mails and freights and passengers. When an Isthmian canal shall have furnished quicker and cheaper carriage by steam vessels for freights and passengers, we will find powerful rivals in the field both by way of the Isthmus of Darien and at Puget Sound, in British Columbia. This competition will also extend along the coasts of Mexico and of the Central and South American States.

The stimulus thus given to commerce on the Pacific Ocean will increase rapidly, the interchange of productions between all these great countries, until that trade will equal, if it does not exceed, the value of the commerce across the Atlantic.

The Hawaiian Islands afford the only stopping place, in a distance of 20,000 miles, between our coasts and those of Japan, Corea, and China; and from Panama to the heart of those countries they are almost in the direct line of travel. They are east of the meridian which touches the western shore of Alaska, and may be said to be properly within the area of the physical and political geography of the United States. They are nearer to us than to any other great power.

Influences of a social and religious character, through which these islands were, in fact, opened up to modern civilization, have drawn those people closely to us, and they feel that they have greatly profited by the sympathy and consideration of the American people for their well-being as a nation. This feeling has been greatly strengthened since 1875. Our liberal reciprocity with them has confirmed a mutual feeling of regard, which has never been chilled by any unpleasant event.

Hawaiian trade, investment, population and policy have been greatly influenced by the convention of 1875: so much so, that almost every public act relating to commerce has direct reference to that treaty. American population there has increased considerably since 1875, and, of the entire value of sugar lands in the islands, estimated at \$15,880,800, as is shown in the letter of Mr. Daggett, our minister to that country, of October 15, 1883 (which is herewith submitted), \$10,-

235,464 belong to Americans. The close and cordial relations between the people of the two countries, in respect to which the Government also are in earnest sympathy, strongly forbid that we should abandon our reciprocal commerce, or avert our attention, or withdraw our sympathies from the Hawaiian people.

Whether in an honorable and peaceful rivalry for the commerce of the countries bordering on the Pacific Ocean, or in the protection of our commerce or our coasts in case of war with any great maritime power, our relations with the Government of Hawaii, consistently with its independence and autonomy, could not become too intimate for our own welfare.

A single fact, of many, will suffice to illustrate this proposition. The kingdom of Hawaii is the only Government in the North Pacific Ocean that is not a colonial dependence of some great power in Europe or Asia, and it is therefore the only neutral power in the North Pacific Ocean.

In the treaty of Washington, of 1871, the United States and Great Britain agree between themselves that as neutral powers they will not in future permit either belligerent to make use of their ports or waters as the base of naval operations against the other, or for the purpose of the renewal or augmentation of military supplies or arms, or the recruitment of men; and they agree to bring this rule, with others, to the knowledge of other maritime powers, and to invite them to accede to them. This law of neutrality we would be bound to enforce against the Hawaiian Government in case of war between the United States and any maritime power; but, in doing so, we would deprive our war vessels of the right to take coal at the Hawaiian ports for a longer journey than 2,000 miles, while the ships of England or of any other European power would be entitled to take coal for a journey of 15,000 miles. This rule would permit them, in fact, to coal at Honolulu and harass our coasts and commerce with the greatest possible advantage, while it would cripple us essentially.

The supremacy of England or any great maritime power in the Hawaiian Islands would make of this rule, on which we in part relied for compensation in respect of the Alabama claims, a most formidable difficulty in the way of the defense of our Pacific coast and commerce.

The very liberal concessions made by the Hawaiian Government in favor of our whalers and war ships, in article 7 of the treaty of 1849, followed by the agreement in the treaty of 1875, that "the King will not lease or otherwise dispose of, or create any lien upon any port, harbor or other territory of his dominions, or grant any special privileges or rights of use therein, to any other power, state, or government, nor make any other treaty by which any other nation shall obtain the same privileges, relative to the admission of any articles free of duty, hereby secured to the United States," present the strongest possible evidences of good-will towards us on the part of that Government and disclose its confident reliance on our protection against any serious aggression or disturbance from any foreign powers. These concessions have not been disputed by any power, and when we accepted them we also accepted the moral duty of an equivalent protection of the independence and security of that kingdom. This close relation of amity is, in relative degree, as necessary to our welfare as it is to that of the people of the Hawaiian Islands, and should be maintained in strict good faith.

The importance of the Hawaiian treaty, in its political bearings upon the United States, has been recognized by Presidents Tyler, Polk, Lincoln, Johnson, Grant and Arthur, as indicated in messages to Congress. Our Secretaries of State have uniformly insisted, since the Hawaiian Government assumed treaty relations with other countries, that the United States must stand in a nearer relation with that kingdom than any other nation can occupy.

The material advantages of the treaty of January, 1875, to the people of the United States, consists in the furnishing of useful and lucrative employment to them, in increasing the supply and lessening the cost of many articles of general use, and enlarging the market and increasing the demand for their productions.

Under the first head, of furnishing lucrative employment to our people, the advantage has been very great.

Many Americans have gone to the Hawaiian Islands, and, with their industry, skill, and capital, have engaged in agriculture, mercantile pursuits, navigation, banking, printing and many minor mechanical industries, from which they have realized fair returns. The transportation of articles of commerce has been chiefly carried on by Americans, in American ships.

The statement of Mr. Daggett, already referred to, estimates the amount of American capital invested in the Hawaiian Islands in sugar production alone at \$10,235,464, in 1883. Mr. F. H. Allen, former charge d'affaires of the Hawaiian Government, in a statement which has been presented to the committee, makes the following estimate of loans and investments by Americans, as they were in 1882, viz, \$3,200,000 in ships and wharves, \$3,300,000 in loans; and he mentions other lines of American steamers that were then about to be put into that trade. So that American capital to the extent of at least \$20,000,000 has found profitable and permanent employment in the Hawaiian Islands since the treaty of 1875 went into effect. The interest and profit on this sum will average 10 per cent. per annum, yielding \$2,000,000 to our people.

Since the treaty, San Francisco is, practically, the only direct market for the productions of these islands.

[Minister Conley's reports of 11th April and 6th June, 1881, are here quoted at length.]

The number of steamers running between the islands has increased since that date to ten or more.

The report of the Secretary of the Treasury for the year ending June 30, 1883, states that the total value of all imports into the United States of articles free of duty was \$206,913,289 47, and of this sum there were admitted free of duty from the Hawaiian Islands, under the treaty of the treaty 1875, imports to the value of \$8,029,835 18.

Our exports to those islands, for the same period, were \$3,811,918, of which \$35,848 were coin and bullion, while our imports of coin and bullion were \$42,847, showing nearly an equal export and import of coin and bullion.

There appears, therefore, an excess of imports over exports of \$4,217,922 18. This is practically the sum that we admit free of duty from the Hawaiian Islands, the rest having been set off by the importations, free of duty, into that country.

The revenue on this small balance is an inconsiderable item, when compared with the \$206,913,298 of annual importations which we have put on our free list for the bettering of the condition of our people at large.

But this apparent balance in the exchange of commodities in substance represents only the profits and gains of our own people employed in agriculture, navigation, and in trade and financial dealings with the Hawaiian people.

The interest and profits on the \$20,000,000 of investments in those islands, and wharves and ships and loans, calculated at a rate lower than is in fact obtained, are \$2,000,000. The freights, insurance and handling of produce interchanged, mostly of heavy commodities, amounting in value to \$11,841,748, at 10 per cent., which is far below the actual cost, are \$1,184,174, and the commissions, earned almost exclusively by our own people, at 5 per cent., are \$592,087.40, and if the profits to our merchants are only 5 per cent., that sum is \$592,087.40; in all, \$4,368,348.

This is the actual state of trade, which accounts for the fact that with an apparent annual balance against us of over \$4,000,000 we are not called upon to ship coin or to transmit exchange to Hawaii to pay it. It is paid to our own people. The reverse of this is true of our trade with England. During the last fiscal year the apparent difference in our favor between the value of exports and imports to England was \$197,047,224. But England transported 85 per cent. of our commerce, and the freights, insurance and other charges which we paid to her people reduced the actual balance of trade in our favor to less than \$100,000,000. What we export to Hawaii is consumed there, and amounts to \$45.44 per capita, while our imports from that country amount to 16 cents per capita of our population.

These advantages of trade which we gain through our control of the commerce of these islands are of much greater value to us than the amount of revenue we could have possibly collected on the goods admitted under this treaty free of duty. This trade, including exports and imports, was in 1875 \$1,922,555. In the absence of the treaty there is no reasonable ground for supposing that it would have increased greatly, if at all. But in 1883 it has increased to \$12,004,526, and the treaty is justly entitled to be credited with nearly the entire increase.

If we take the trade of 1883 as the basis on which to estimate the loss of revenue, instead of the trade of 1875, which would be about the true basis, still this loss of revenue enriches our own people, both because we are the creditor country and handle this commerce, and because the taxes we remit are upon articles that are consumed by our own people.

If these islands furnish one-tenth of the sugar we consume, being admitted free of duty, it creates competition to that extent, which should correspondingly reduce the price. The necessity of reducing our present excessive revenues has earnestly engaged the attention of Congress for some time past, and if the entire customs duties which we could derive from articles of prime necessity imported from the Sandwich Islands should be remitted, the policy would be exactly in line with that which our redundant revenue is compelling us to adopt.

The most urgent complaints against this treaty are that it admits sugar and rice free of duty, these being productions that are grown to some extent in the United States.

A sufficient answer to these objections is found in the fact that there are no sugar or rice lands of any consequence in the United States west of the Rocky Mountains and it is at least just to that important region that it should enjoy the means of obtaining these supplies on equal terms with the country east of those mountains.

The overland freights on Louisiana sugars exclude them from California and Oregon, and the Pacific States are therefore compelled to look to the Hawaiian Islands for their chief supply. Without this treaty they must import their sugars, under a heavy duty, from Hawaii the nearest and cheapest market, and pay for them in money or in goods also taxed in that country, while the States east of the Rocky Mountains can exchange their untaxed commodities with Louisiana for all the sugar that State can produce.

Louisiana, in 1880, produced 171,706 hogheads of sugar, and the other States 7,166; total, 178,872. In 1883 the entire sugar production from cane is estimated at 180,000 hogheads, or 180,000,000 pounds, which is equal to about 3.25 pounds per capita. Add to this the importations from Hawaii, 106,181,858 pounds, and the total of untaxed cane sugar consumed by our people is 286,181,858 pounds. The amount per capita is 5.20 pounds. The per capita consumption of sugar in the United States is about 36 pounds, so that only one-seventh of the amount is on the footing of home production, for which we pay with our other productions. The other six sevenths cost us \$91,406,717, and the duty added of \$46,172,378.85; total cost, \$137,579,095.

To pay for this we send to Cuba \$50,440,831 in money, that being the excess of our imports over our exports, and we send money in about the same proportion to all other sugar-producing countries.

The entire balance of trade against the United States in all the countries from which we imported sugar was, on the 30th June, 1882, \$113,674,356. Of this entire sum nothing was paid for with our own productions except \$4,295,519, the balance in favor of Hawaii, and all of that was paid to our own people except \$958,000, which was paid to Hawaii in foreign exchange bought from our bankers.

These statements establish the fact that in proportion to its amount the Hawaiian trade is far the most profitable that we have with any country.

In the report of the Committee on Finance to the Senate, made on the 27th February, 1882, complaint is made of violations of the Hawaiian treaty by the importation of sugars from other countries through that country, and that sugars have been fraudulently imported of higher grade than are described in the treaty as—

Muscovado, brown, and other unrefined sugars commonly imported from the Hawaiian Islands and now (1875) known in the market of San Francisco and Portland as Sandwich Island sugars.

It is our fault, and not that of the treaty, if we permit it to be violated by our own officers in our own ports. But these accusations, whether against the Hawaiian Government or our own, have been thoroughly disproved by the report of the commission sent out to the Hawaiian Islands in May, 1883, by our Secretary of the Treasury. The sugar refiners of the Eastern States, who were most earnest in these complaints, selected one of the three members of that commission; and, as they all agreed in their report, it is presumably a full and fair statement of the facts.

As to the importation of sugar through the Hawaiian Islands from other countries, the commission says:—

After a thorough examination of the matter we are convinced of the utter impracticability of such operations. The formation of the islands is such as in itself to forbid the successful smuggling of sugar.

The tables showing the quantities of sugar imported from the Hawaiian Islands, which accompany the report of the com-

missioners establish the fact which they state, that—

It does not appear that there is any substantial difference in the character of the sugars imported prior to and since the treaty, nor is there any evidence that the importations under the treaty were not such sugars as were "commonly imported and known as Sandwich Island sugars" prior 1876.

It is gratifying to find that our commissioners, after the most careful examination of the grounds of these complaints, both in our own custom houses and in the islands, been constrained to bear testimony to the honorable conduct of the Hawaiian Government in the execution of the treaty of 1875.

The King of Hawaii has been earnest and faithful in his efforts to remove all embarrassments that have stood in the way of his treaty engagements with the United States. The remission of 15 per cent. of the duties fixed by the general tariff laws of Hawaii, to satisfy Great Britain, was a severe draft on the revenues of the Kingdom. By this and other means our special treaty relations with Hawaii have been recognized as being rightful and satisfactory to other countries.

This kingdom, without any decided support from the United States, has vindicated the principles of the treaty of 1875 in the following article in her treaty with the German Empire of 19th September, 1879:—

Separate articles certain relations of proximity and other considerations having rendered it important to the Hawaiian Government to enter into mutual agreements with the Government of the United States of America, by a convention concluded at Washington the 30th day of January, 1875, the two high contracting parties have agreed: that the special advantages granted by said convention to the United States of America, in consideration of equivalent advantages, shall not in any case be invoked in favor of the relations sanctioned between the two high contracting parties by the present treaty.

More recently the Hawaiian Government has made a treaty with Portugal containing a like declaration.

It sufficiently appears from the facts thus briefly presented in outline that to abrogate our treaty of 1875 the Hawaiian Government would release these engagements with the other powers, and we would abandon the concessions of principles so favorable to us in respect of our peculiar political and commercial relations with the Kingdom of Hawaii which are now firmly established. We would thereby open the door to similar agreements between those countries and Hawaii, under which they would eagerly seize the advantages which we would throw away.

If we abandon the treaty we must also abandon the attitude we assumed when it was ratified, that our national interests are so identified with those of Hawaii that we cannot permit any other nation to gain such control in that country as will endanger our western coast, or seriously impede our commerce on the Pacific Ocean.

Australia is anxious to gain the trade we enjoy with Hawaii, and is but little further from those islands than we are. That continent of great islands needs the productions of Hawaii as much as we need them, and has many of the productions that we send to Hawaii.

The completion of the Canadian Pacific Railroad from Lake Superior to Puget Sound would induce the Dominion of Canada to make most favorable terms with the Hawaiian Government for the trade of those islands.

A canal through the Isthmus of Darien would cause the Hawaiian trade to seek better markets in Europe than we can offer for the purchase of the goods she needs. So that every new route of transportation leading to Europe will put in jeopardy our trade with the Hawaiian Islands, unless we continue and make permanent our existing treaty agreement.

Whatever objections have so far been found to the workings or the results of this treaty are greatly overbalanced by the advantages we have acquired in a national sense; and by the benefits to our people of a profitable trade with the Hawaiian people; and by the duty we owe the people of both countries to give certainty and permanence to the gratifying prosperity which this treaty has created.

TARIFF PROSPECTS.

It now seems probable, judging from such indications as are at hand, that no general legislation affecting the tariff will be adopted at the present session of Congress. This, however, is no surprise to those who have attentively considered the political situation. The Democratic party has long played fast and loose with the tariff issue, and it is not to be wondered at that when it is at last brought face to face with the alternative of free trade or protection it should be found wanting in cohesion. Whether anything approaching a general unanimity of sentiment upon the tariff question exists in the party is a matter which the most recent utterances of Democratic opinion, as found in the resolutions of State conven-